

# TVA Corporate Profile

TVA is the nation's largest power producer with assets of \$34 billion and operating revenues of \$5.7 billion. The corporation serves nearly 8 million consumers in most of Tennessee and parts of Mississippi, Alabama, Georgia, North Carolina, Virginia, and Kentucky with 11 Fossil Plants, 3 Nuclear Plants, 29 Hydro Plants, 4 Combustion Turbine Plants, 1 Pumped Storage Plant and 17,000 miles of transmission lines.

A wholly-owned corporation of the United States, TVA was established by Congress through the TVA Act in 1933. The objectives of TVA are to provide an ample power supply at the lowest possible cost and to strengthen the regional economy.

TVA's activities are currently divided into two separate and distinct programs—the power program and the non-power program. The power program is 98.1% of TVA's annual operating budget. It is funded exclusively from power revenues and capital borrowed from public markets. The power program receives no Congressional appropriations, and TVA is required to make annual payments, with market-rate interest, to the U.S. Treasury as a return on the government's initial appropriation investment in TVA power facilities. The non-power program, funded from Congressional appropriations, currently is 1.9% of TVA's annual operating budget.

Power rates are established by the TVA Board of Directors as authorized by the TVA Act. The TVA Act requires the Board to charge rates sufficient to produce gross revenues to cover operation, maintenance, and administration of its power system; payments to states in lieu of taxes; and debt service on outstanding indebtedness.

## VISION FOR THE FUTURE

To be the recognized world leader in providing energy and related services, independently and in alliance with others, for society's global needs.



# F O U N D A T I O N   F O R   T H E   F U T U R E

## **TVA Position:**

The electric utility industry is undergoing a fundamental transformation that is opening the energy marketplace to competition. As the industry moves from a cost-based to a market-driven environment, only those market participants who are operationally, financially, and strategically well-positioned will be successful. TVA enthusiastically supports the industry's move toward full competition, and is taking steps today to lay the foundation for this new environment.

## **Operational Excellence:**

Operational excellence is the cornerstone of a successful future for TVA, which has prepared itself over the last ten years by:

- Becoming the second lowest-cost power producer among the nation's 50 largest electric utilities
- Providing power at an average wholesale cost of 4¢ per kWh
- Entering its 10th year with no price increase
- Increasing its generation output by 30%
- Reducing its headcount by more than 50%
- Cutting capital expenditures in half
- Improving the capacity factor of its fossil system by more than 20%
- Completing two nuclear units in 1996 for a total of five operating nuclear units
- Achieving a capacity factor of 85% for its newly-completed nuclear unit, exceeding the industry average of 65% for a first-year unit

## **Financial Excellence:**

TVA has successfully implemented an aggressive financial management strategy over the last three years to prepare itself for the future and to meet a variety of investor needs. It has:

- Placed a cap on outstanding debt
- Eliminated the need to borrow additional money in 1997 for the first year in 35 years
- Broadened its investor base through a series of innovative debt offerings in the global, regional, and retail markets
- Established a TVA yield curve in order to obtain tighter spreads on a mixture of debt issues
- Priced 5-, 10-, and 30-year global issues aggressively compared to other agency issues

- Offered a 30-year global bond, becoming the only agency or supranational issue of recent years to consistently trade through a comparable World Bank issue
- Offered a benchmark 40-year double-put bond, widely recognized for its tight spreads—acknowledged as the only bond issue ever to be reopened twice; the three issues were offered at 12, 27, and 100 basis points through comparable U.S. Treasury rates, respectively
- Named “Debut Borrower of the Year” by International Financing Review in 1995
- Called “The Most Outstanding Agency Borrower” by Euroweek in 1995 as a result of three highly successful global bond issues
- Declared one of the international “Deals of the Year” by Institutional Investor in 1996 for its innovative Deutsche mark bond issue
- Awarded “Breakthrough Deal of the Year” by Investment Dealers’ Digest in 1996 for its 40-year double-put bond issue

### **Strategic Excellence:**

TVA is creating a strategic direction that positions it to be a leader in a competitive environment, emphasizing new marketing and business opportunities, vigilant financial management, and valuable partnerships and alliances. TVA has accomplished the following:

#### **For more information, please contact:**

Sylvia H. (Sissy) Caldwell  
 Manager, Investor Relations  
 Tennessee Valley Authority  
 400 West Summit Hill Drive  
 Knoxville, Tennessee 37902  
 Phone: 423-632-8073  
 Fax: 423-632-6673  
 E-mail address:  
[shcaldwell@tva.gov](mailto:shcaldwell@tva.gov)

- Utilized option purchase agreements (OPAs) as an alternative to building additional capacity to meet future power needs
- Initiated a Strategic Planning process to analyze the electric utility industry in a competitive environment and to evaluate new business opportunities for TVA in that environment
- Established a new Customer Services and Marketing organization, designed to better meet existing and future customer needs
- Commissioned the creation of a five-year financial plan, designed to continue the existing aggressive debt management strategy
- Formed the Public Power Alliance to provide better, lower-cost services to customers
- Initiated an international strategic partnership with The People’s Republic of China, signing three Memorandums of Understanding to modernize and automate its hydroelectric and coal-fired power plants and to develop the Han and Li rivers

TVA welcomes full competition in the electric utility industry. TVA will continue its tradition of applying bold and innovative approaches to a new challenge—balancing free market competition with the public’s interest.

